

**STATE OF ALABAMA
ALABAMA SECURITIES COMMISSION**

IN THE MATTER OF:

GOSSAMER

RESPONDENTS

**ADMINISTRATIVE ORDER
NO. CD-2019-0003**

CEASE AND DESIST ORDER

The Alabama Securities Commission ("Commission"), having the authority to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENT

1. GOSSAMER ("GOS") is an entity that purports to conduct business as an application designer, offering the sale of cryptocurrency for the purpose of raising capital to be used in the design of a WiFi reseller DAPP (Decentralized Application on the Blockchain). GOS operates by means of the domain name "GOSSAMERHUB.com" and is accessible through the website: <https://www.gossamerhub.com>. GOS may be served through its United States domain name registrar, Network Solutions, LLC., located at 12808 Gran Bay Parkway West, Jacksonville Florida, 32258.

STATEMENT OF FACTS

2. Though much relevant information is omitted from the GOS website and White Paper, it appears that proceeds from the sale of the GOS token will first be applied to the "Genesis" phase for the GOS project, which includes legal groundwork, token creation, team growth, master level technology research and development and the listing of the GOS token "on exchanges for purchase/sale/trade." The benefit for the GOS token holders will be to "allow for the real-time purchase and/or sale of Wi-Fi along the Ethereum blockchain."

3. According to the GOS website, the GOS project was to be completed in the First Quarter of 2019. However, the GOS website reflects no activity in furtherance of the implementation of the GOS application since the Third Quarter of 2018, where information

reflects that this stage is only 15% completed. No activity is listed for either the Fourth Quarter of 2018 nor the First Quarter of 2019.

4. According to the **GOS** website, there will be 25,860,000,000 **GOS** Coins issued. Following the sale of the last ERC20 (Ethereum Blockchain Token), *"No future coins will ever be minted or mined."* Thus, as the **GOS** project was completed, an investor's purchased **GOS** coins would appreciate in value in line with the growth of the **GOS** project.

5. An "Important Legal Notice" contained in the **GOS** website states, *"To the extent that any tokens may represent a store of value, so too may Gossamer tokens. Like all stores of value, they may both appreciate or depreciate in value according to various economic factors."*

6. An Alabama resident reported that they were repeatedly asked in 2018 to promote and access twistedcrypto.com, which is an affiliate of **GOS**. Both twistedcrypto.com and **GOS** are currently accessible to residents of Alabama. An advertisement link, which leads to the **GOS** website, is located prominently on the twistedcrypto.com website.

7. The **GOS** website and offering materials are made accessible to Alabama residents via the website; <https://gossamerhub.com>. No information is made available on the website nor in the offering materials as to the physical location of **GOS**, contact information or officers/employees of the company.

8. On February 19, 2019, a review of the registration files of the Alabama Securities Commission revealed no record of registration, nor any perfected exemption from registration for the securities offered and sold by **GOS**.

9. A corporation search of the Alabama Secretary of State's online website revealed no registration for **GOS** as a business entity or a foreign corporation to do business in the State of Alabama.

CONCLUSIONS OF LAW

10. Pursuant to Section 8-6-2(10), Code of Alabama 1975, the definition of "security" includes investment contracts and profit-sharing agreements. The **RESPONDENT'S** cryptocurrency investment plan requires investors to invest money into the common investment plan in order to pool their investments with other investors. Investors share and expect a profit based on the investment's profitability, as represented by **RESPONDENT**, and the profit is derived from the managerial efforts of the **RESPONDENT**. Therefore, the **RESPONDENT'S**

sale of its cryptocurrency, to raise operating capital, constitute investment contracts and/or profit sharing agreements and are "securities" as defined by the Act.

11. Pursuant to Section 8-6-4, Code of Alabama 1975, it is unlawful for any person to offer or sell any security in this state unless it is registered or exempt from registration under Section 8-6-10; or the transaction is exempt under Section 8-6-11. The securities, i.e. the investment contracts and/or profit-sharing agreements offered and sold by **GOS**, were neither registered nor subject to a perfected exception from registration in Alabama at the time of solicitation or sale and were offered and sold in violation of the Act.

12. Pursuant to Section 8-6-2(5), Code of Alabama 1975, the definition of an "issuer" includes every person who proposes to issue, or has issued any security. The **RESPONDENT**, by issuing securities, to wit: investment contracts and/or profit-sharing agreements, is an "issuer" as defined by the Act.

13. Pursuant to Section 8-6-17(a)(2), Code of Alabama 1975, it is unlawful for a person, in connection with the offer, sale, or purchase of a security, to make or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading. The **RESPONDENT** failed to disclose that the investments offered and sold by **GOS** were securities, which required registration in the state of Alabama, a material omission, in violation of the Act.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that are available to it under the Act.

This Order is appropriate in the public interest for the protection of investors and is consistent with the purposes of the Act.

Additionally, if the allegations set forth herein are found to be true, through either administrative adjudication, failure of the **RESPONDENT** to make a timely request for hearing, or default of the **RESPONDENT**, it is the intention of the Commission to impose sanctions upon the **RESPONDENT**. Such sanctions may include, inter alia, an administrative assessment imposed on the **RESPONDENT**, an additional administrative assessment for investigative costs arising from the investigation of the violation(s) described herein against the **RESPONDENT**,

and a permanent order to bar the **RESPONDENT** from participation in any securities related industry in the state of Alabama.

ACCORDINGLY, IT IS HEREBY ORDERED that the **RESPONDENT** immediately **CEASE AND DESIST** from further offers or sales of any security into, within or from the state of Alabama.

Entered at Montgomery, Alabama, this 25th day of February 2019.



ALABAMA SECURITIES COMMISSION
P.O. Box 304700
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(334) 242-2984
BY:

A handwritten signature in black ink, consisting of several loops and a long, sweeping tail that extends downwards and to the left. The signature is written over the printed name and title of the signatory.

Joseph P. Borg
Director